

HOURIGAN, KLUGER, SPOHRER, QUINN & MYERS

A PROFESSIONAL CORPORATION

ALLAN M. KLUGER
JOSEPH A. QUINN, JR.
ARTHUR L. PICCONE
MOREY M. MYERS
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RICHARD S. BISHOP
JOHN P. SANDERSON
JORDAN H. PECILE
BRIAN C. CORCORAN
JOHN D. NARDONE
STEPHEN A. MENN
JONATHAN H. KAPLAN

LAW OFFICES
SUITE SEVEN HUNDRED
UNITED PENN BANK BUILDING
WILKES-BARRE, PENNA. 18701
(717) 825-9401

14917

MAR 10 1986 - 2 45 PM
March 5, 1986

INTERSTATE COMMERCE COMMISSION

RETIRED
ANDREW HOURIGAN, JR.
OF COUNSEL
MORRIS B. GELB

FALVELLO LAW OFFICE BUILDING
CONYNGHAM-DRUMS ROAD
BOX A 103
R.D. 1 SUGARLOAF, PA 18249
(717) 788-4191

600 PENN SECURITY BANK BUILDING
SCRANTON, PA 18503
(717) 346-6414

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Interstate Commerce Commission
Recordation Unit
Room 2303
12th and Constitution Avenue, N. W.
Washington, D. C. 20423

Attention: Mildred Lee

Re: Security Agreement for Recordation
under 49 USC Section 11303

Dear Ms. Lee:

I enclose an original and two executed copies, which have been acknowledged, of a Security Agreement between Pocono Northeast Railway, Inc. as debtor, and United Penn Bank, as creditor, together with a check for \$10.00 to cover your recordation fee.

Please return conformed copies of the documents to me in the enclosed self-addressed stamped envelope.

Very truly yours,

HOURIGAN, KLUGER, SPOHRER, QUINN & MYERS, P.C.

Gerald J. Shekletski
Gerald J. Shekletski, Esquire

GJS/po
Enclosures

cc: Pat O'Brien

3/10/86
10.00
Washington, D. C.

14917

SECURITY AGREEMENT

DATE 10 1986 - 2 11 PM

FOR

INTERSTATE COMMERCE COMMISSION

EQUIPMENT AND FARM PRODUCTS

POCONO NORTHEAST RAILWAY, INC.

NAME(S) OF DEBTOR(S)

81 West Union Street, Wilkes-Barre, Luzerne County, Pennsylvania 18701

ADDRESS(ES)

(the "Debtor"), hereby grants to: UNITED PENN BANK, a Pennsylvania banking corporation with its principal office at 8-18 West Market Street, Wilkes-Barre, Pennsylvania 18711 (the "Lender"), a security interest, in accordance with the Pennsylvania Uniform Commercial Code, in the following described property, together with all substitutions, parts, accessions, attachments, additions, and other goods, and all replacements hereto, and all cash proceeds and non-cash proceeds of all the foregoing (herein collectively called the ("Collateral")): *below

WITNESSETH, the security interest in the collateral granted to the Lender by the Debtor shall secure the payment of any and all indebtedness, obligations and liabilities whatsoever of the Debtor to Lender, now existing or hereafter incurred, direct or contingent, matured or unmatured, several, joint, or joint and several, and any renewals, extensions or substitutions of said liabilities. Without limiting the foregoing, the security interest in the collateral is granted to better secure the following obligations:

(a) Debtor's obligations to lender under a loan(s) now existing or hereafter to be made by Lender to Debtor, or its nominee, upon execution and delivery of this Agreement and all other required instruments, said loan(s) being evidenced by the note(s) of Debtor dated February 25, 1986 in the face amount(s) of One Hundred Twenty Thousand and 00/100 (\$120,000.00) Dollars said note(s) being payable with interest as provided therein (the "Note");

(b) Any and all sums, including attorney's fees, costs, expenses and charges which secured party may pay or incur pursuant to any provision of this Security Agreement or in defending, protecting, preserving or enforcing its security interest or the collateral or in enforcing payment of the debt secured or otherwise in connection with the provisions of this Agreement;

(c) All expenditures of Lender for taxes, levies, insurance maintenance, repairs, preparation for sale and sale of the Collateral;

(d) Interest on all the foregoing at the rate provided in the Note prior to default and at a rate of N/A % after default. (Collectively referred to as the "Obligations").

*See attached Schedule "A".

(e) Insolvency of any Debtor or a bankruptcy proceeding is commenced by or against any Debtor, or if Debtor makes an assignment for the benefit of creditors;

(f) If any proceeding is filed or commenced by or against any Debtor or any guarantor of any of the Obligations for dissolution or liquidation; or any Debtor or any guarantor of the Obligations dies (if such Debtor or Guarantor is an individual) or voluntarily or involuntarily terminates or dissolves or is terminated or dissolved;

(g) The Lender reasonably deems itself insecure.

2. If any Event of Default shall occur, then or at any time thereafter, while such Event of Default shall continue, Lender may declare all the Obligations to be due and payable, without notice, protest, presentment or demand, all of which are expressly waived by the Debtor.

RIGHTS OF REMEDIES OF LENDER

Upon the occurrence of any Event of Default hereunder, Lender shall have, by way of example and not of limitation, all of the rights and remedies enumerated herein:

1. Lender, and any officer or agent of Lender is hereby constituted and appointed as true and lawful attorney-in-fact of Debtor with power to sell, assign, sue for, collect or compromise payment of all or any part of the Collateral in the name of Debtor or in its own name, or make any other disposition of Collateral, or any part thereof, which disposition may be for cash, credit or any combination thereof, and Lender may purchase all or any part of the Collateral at public sale, and if permitted by law, at private sale, and in lieu of actual payment of such purchase price, may set-off the amount of such price against the Obligation; granting to Lender as the attorney-in-fact of the Debtor, full power of substitution and full power to do any and all things necessary to be done in and about the premises wherein the Collateral is located as fully and effectually as Debtor might or could do but for this appointment, and hereby ratifying all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. Neither Lender nor its agent shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law in its capacity as such attorney-in-fact. This power of attorney is coupled with an interest and shall be irrevocable so long as any Obligations shall remain outstanding.

2. Lender shall have the right to enter and/or remain upon the premises of the Debtor without any obligation to pay rent to Debtor or others, or any other place or places where any of the Collateral is located and kept and; (a) remove the Collateral therefrom to the premises of the Lender or any agent of Lender, for such time as Lender may desire, in order to maintain, collect, sell and/or liquidate the Collateral, or (b) use such premises, together with materials, supplies, books and records of Debtor, to maintain possession and/or the condition of the Collateral, and to prepare the Collateral for selling, liquidation or collecting. Lender may require Debtor to assemble the Collateral and make it available to Lender at a place to be designated by Lender which is reasonably convenient to both parties.

3. Lender shall have the right to set-off, without notice to Debtor, any and all deposits or other sums at any time or times credited by or due from Lender to Debtor, whether in a special account or other account or represented by a certificate of deposit (whether or not matured) which deposits and other sums shall at all times constitute additional security for the Obligations and may be set-off against all or any part of the Obligations at any time Debtor is primary obligor with respect to such Obligations, or after the maturity of Obligations if Debtor is secondary obligor.

4. Lender shall have, in addition to any other rights and remedies contained in this Agreement, and any other agreements, guarantees, notes, instruments and documents heretofore, now or at any time or times hereafter executed by Debtor and delivered to Lender, all of the rights and remedies of a secured party under the Uniform Commercial Code in force in the State of Pennsylvania, as of the Date of Agreement, all of which rights and remedies shall be cumulative, and not exclusive, to the extent permitted by law.

5. Any notice required to be given by Lender of a sale or other disposition or other intended action by Lender with respect to any of the Collateral, or otherwise, made in accordance with the terms of this Agreement at least five (5) days prior to such proposed action, shall constitute fair and reasonable notice to Debtor of any such action. In the event that any of the Collateral is used in conjunction with any real estate, the sale of the Collateral in conjunction with and as one parcel with any such real estate of Debtor, shall be deemed to be a commercially reasonable manner of sale. The net proceeds realized by Lender upon any such sale or other disposition, after deduction of the expenses of retaking, holding, preparing for sale, selling or the like and reasonable attorneys' fees and any other expenses incurred by Lender, shall be applied toward satisfaction of the Obligations hereunder. Lender shall account to Debtor for any proceeds realized upon such sale or other disposition and Debtor shall remain liable for any deficiency. The commencement of any action, legal or equitable, shall not effect the security interest of Lender in the Collateral until the Obligations hereunder or any judgement therefore are fully paid.

WARRANT OF ATTORNEY FOR CONFESSION OF JUDGMENT IN REPLEVIN

Upon the occurrence of an Event of Default hereunder, and only if permitted by law, Debtor hereby authorizes any attorney of any Court of Record of the Commonwealth of Pennsylvania to appear for and confess judgement for possession of the Collateral in any action of replevin instituted by the Lender to recover possession of the Collateral for which this Agreement shall be sufficient warrant, with costs of suit and release of errors. If a copy of this Agreement, verified by affidavit of the Lender or someone on behalf of Lender, shall have been filed in such action, it shall not be necessary to file the original Agreement as a warrant of attorney.

GENERAL PROVISIONS

1. The failure of Lender at any time or times hereafter to require strict performance by Debtor of any of the provisions, warranties, terms and conditions contained in this Agreement or in any other agreement, guaranty, note, instrument or document now or at any time or times hereafter executed by Debtor and delivered to Lender shall not waive, affect or diminish any right of Lender at any time or times thereafter to demand strict performance thereof; and, no rights of Lender hereunder shall be deemed to have been waived by any act or knowledge of Lender, its agents, officers or employees, unless such waiver is contained in an instrument in writing signed by an officer of Lender and directed to Debtor specifying such waiver. No waiver by lender of any of its rights shall operate as a waiver of any other of its rights or any of its rights on a future occasion.

2. Any demand or notice required or permitted to be given hereunder shall be deemed effective when deposited in the United States Mail, and sent by certified mail, return receipt requested, postage prepaid, addressed to Lender at Lender's address or to Debtor at Debtor's address, as applicable, or to such other address as may be provided by the party to be notified, or ten (10) days prior written notice to the other party.

3. This Agreement contains the entire understanding between parties hereto with respect to the transactions contemplated herein and such understanding shall not be modified except in writing signed by or on behalf of the parties hereto.

4. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, should any portion of this Agreement be declared invalid for any reason in any jurisdiction, such declaration shall have no effect upon the remaining portions of this Agreement, furthermore, the entirety of this Agreement shall continue in full force and effect in all other jurisdictions and said remaining portions of this Agreement shall continue in full force and effect in the subject jurisdiction as if this Agreement had been executed with the invalid portions thereof deleted.

5. In the event Lender seeks to take possession of any or all of the Collateral by court process, Debtor hereby irrevocably waives any bonds and any surety or security relating thereto required by any statute, court rule or otherwise as an incident to such possession, and waives any demand or possession prior to the commencement of any suit or action to recover with respect thereto.

6. The provisions of this Agreement shall be binding upon and shall inure to the benefit of the heirs, administrators, successors and assigns of Lender and Debtor, provided, however, Debtor may not assign any of its rights or delegate any of its obligations hereunder without the prior written consent of the Lender.

7. This Agreement is and shall be deemed to be a contract entered into and made pursuant to the laws of the Commonwealth of Pennsylvania and shall in all respects be governed, construed, applied and enforced in accordance with the laws of said state; in the event that the Lender brings any action hereunder in any court of record of Pennsylvania or the Federal Government, Debtor consents to and confess personal jurisdiction over Debtor by such court or courts and agrees that service of process may be made upon Debtor by mailing a copy of the summons to Debtor at Debtor's address; and in any action hereunder Debtor waives the right to demand a trial by jury.

8. Debtor hereby releases the Lender and its officers, agents, attorneys and employees from all claims for loss or damage caused by any act or omission on the part of them in exercising Lender's rights hereunder except for willful misconduct.

9. The Collateral has a value of at least \$ 180,000.00, 150 % of the amount secured by this Agreement. Because of the difficulty and expense associated with liquidating the Collateral, the cushion of at least 140 % was bargained for by the Lender and is a basis of Lender's entering this Agreement.

If in the judgment of secured party, the Collateral decreases in value to less than 140 % of the indebtedness secured by this Agreement, or if secured party shall at any time deem itself insecure, Debtor shall either provide additional Collateral or reduce the total indebtedness by an amount sufficient to restore the Collateral to a value of at least 140 % of the obligations secured.

10. If, prior hereto and/or at any time or times hereafter, Lender shall employ counsel in connection with the execution and consummation of the transactions contemplated by this Agreement or to commence, defend or intervene, file a petition, complaint, answer, motion or other pleadings, or to take any other action in or with respect to any suit or proceedings (bankruptcy or otherwise) relating to this Agreement, the Collateral or any other agreement, guaranty, note, instrument or document heretofore, now or at any time or times hereafter executed by Debtor and delivered to Lender, or to protect, collect, lease, sell, take possession of or liquidate any of the Collateral, or to attempt to enforce or to enforce any security interest in any of the Collateral, or to enforce any rights of Lender hereunder, whether before or after the occurrence of any Event of Default, or to collect any of the Obligations, then in any of such events, all of the reasonable attorneys' fees arising from such services, and any expenses, costs and charges relating thereto, shall be a part of the Obligations, payable on demand and secured by the Collateral.

11. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

12. Each reference herein to Lender shall be deemed to include its successors and assigns, and each reference to Debtor and any pronouns referring herein as used herein shall be construed in the masculine, feminine, neuter, singular or plural, as the context may require, and shall be deemed to include the legal representatives, successors and assigns of Debtor, all of whom shall be bound by the provisions hereof. The term "Debtor" as used herein shall, if this Agreement is signed by more than one Debtor, mean, unless this Agreement otherwise provided or unless the context otherwise requires, the "Debtor and each of them" and each and every representation, promise, agreement and undertaking shall be joint and several, except that the granting of the security interest, right of set-off and lien shall be by each Debtor in its several respective property. In the event that there is more than one Debtor, any loan which is secured by this Agreement, shall be deemed to be made at the request of and for the benefit of each Debtor.

13. Lender may, from time to time, without notice to the undersigned, sell, assign, transfer or otherwise dispose of all or part of the Obligations and/or the Collateral therefor, in such event, each and every immediate and successive purchaser, assignee, transferee or holder of all or part of the Obligations and/or the Collateral shall have the right to enforce this Agreement, by legal action or otherwise, for its own benefit as fully as if such purchaser, assignee, transferee or holder were herein by name specifically given such rights. Lender shall have an unimpaired right to enforce this Agreement for its benefit to that portion of the obligations of Debtor as Lender has not sold, assigned, transferred or otherwise disposed of.

ADDITIONAL INFORMATION

Information, if any, required to be set forth herein by the foregoing sections hereof, as applicable, shall be inserted in the following spaces:

REPRESENTATIONS AND WARRANTIES OF THE DEBTOR

Debtor represents and warrants to Lender and such representations and warranties shall be continuing representations and warranties so long as any Obligations remain outstanding as follows:

1. If the Debtor is a corporation, the Debtor has been duly incorporated and organized and is existing as a corporation in good standing under the laws of its jurisdiction of incorporation and is duly qualified and in good standing as a foreign corporation in those jurisdictions where the conduct of its business or the ownership of its properties requires qualifications; Debtor has the power and authority to own the Collateral, to enter into and conform this Agreement, and any other document or instrument delivered in connection herewith and to incur the obligations evidenced by the Note and as set forth herein.

2. Debtor utilizes no trade names, in the conduct of its business, except as set forth below in the section entitled Additional Information; has not changed its name, been the surviving entity in a merger, acquired any business, or changed the location of the Collateral, except as set forth below in the section entitled "Additional Information".

3. The execution and performance of this Agreement and any other document or instrument delivered in connection herewith will not result in the creation or imposition of any lien or encumbrance upon any of the Collateral except for the security interest of the Lender granted herein (immediately, with the passage of time, or with the giving of notice with the passage of time).

4. This Agreement and any other document or instrument delivered in connection herewith and the transactions contemplated hereby or thereby have been duly authorized, and/or executed and delivered, as appropriate; and this Agreement and such other documents or instruments constitute valid and legally binding obligations upon Debtor and are enforceable against Debtor in accordance with their respective terms.

5. Debtor is the owner of Collateral free and clear of all security interests, encumbrances or liens, except liens which arise by operations of law with respect to obligations of Debtor which are not yet due and payable and except as may be specifically set forth below in the section entitled "Additional Information" and Debtor will defend the Collateral against all claims and demands of all persons at any time claiming an interest therein.

6. Debtor has filed all federal, state and local tax returns and other reports that it is required to file and has paid and has made adequate provisions for payment of all such taxes, assessments and other governmental charges.

7. No representation, warranty or statement by Debtor contained herein or in any certificate or other document furnished or to be furnished by Debtor pursuant hereto contains or at time of delivery shall contain any untrue statement of material fact, or shall it omit at the time of delivery, any statement of material fact.

8. The Collateral is to be bought or used by a Debtor primarily: Check applicable block ☐.

☒ In business, and that all the Debtor's places of business are in the same county as Debtor's place of business above set forth except Keystone Industrial Park Trackage, Dunmore, Lackawanna County, Pennsylvania

18514

☐ In farming operations.

9. If Debtor has places of business in more than one county or in more than one state, the Debtor warrants and represents that the chief executive office of the Debtor is 81 West Union Street city of Wilkes-Barre county of Luzerne, state of Pennsylvania.

10. If any of the Collateral is to be so affixed to real estate as to become a part thereof, the real estate is the same as the Debtor's address above or the real estate is known as N/A. The Debtor has an interest in the real estate described in paragraph 10 hereof and the Debtor's interest consists of N/A.

11. The Collateral shall be located at Keystone Industrial Park Trackage, Dunmore, Lackawanna County, Pennsylvania 18514. The owner of the location of the Collateral is Pocono Northeast Railway, Inc.

12. Debtor warrants that as of the date hereof, he has neither applied for nor obtained a loan to be secured by a construction mortgage (as defined by the Pennsylvania Uniform Commercial Code) on any premises where the Collateral will be located.

13. ☐ Debtor will immediately use the entire proceeds of said borrowing, together with such additional funds of Debtor as may be necessary, to pay the purchase price of the above specifically described property and for no other purpose. (Applicable only if checked.)

14. ☐ Debtor hereby authorizes Lender to disburse the proceeds of said borrowing directly to the seller of the Collateral and/or to the insurance agent or broker for insurance thereon. (Applicable only if checked.)

GENERAL COVENANTS OF THE DEBTOR

Debtor covenants and agrees that so long as any Obligations shall remain outstanding:

1. If the Collateral is used primarily in business, Debtor will promptly notify Lender in writing, of any discontinuance of any place of business, the establishment of any new place of business or of any change in the location of its chief executive office, or of the location of the Collateral, or in its name, identity or corporate structure.

2. If the Collateral is used primarily in farming operations, the Debtor will promptly notify Lender, in writing, of any change in Debtor's residence or the location of the Collateral.

3. If the Collateral is or shall be affixed to any real estate, including any buildings owned or leased by Debtor or used by Debtor in the operation of its business, Debtor shall provide Lender with disclaimers and waivers necessary to make Lender's security interest in the Collateral valid and superior as against Debtor and all other persons holding an interest in such real estate.

4. Debtor shall keep and maintain the Collateral in good operating condition and repair, make all necessary repairs thereto and replacement of parts thereof so that the value and operating efficiency thereof shall at all times be maintained and preserved, and Debtor shall keep complete and accurate books and records with respect to the Collateral, including maintenance records.

5. Debtor shall deliver to Lender any and all evidence of ownership of, and certificates of title to, any and all of the Collateral.

6. Debtor shall not, without the prior written consent of Lender, sell, offer to sell, lease or in any manner dispose of any Collateral.

7. Debtor shall notify Lender not later than thirty (30) days prior to any change of location where the Collateral will be located after it is moved.

8. Debtor shall not, without the prior written consent of the Lender, mortgage, pledge, grant or permit to exist a security interest in, or lien or encumbrance upon any of the Collateral except in favor of the Lender.

9. Debtor shall maintain casualty insurance coverage on the Collateral, in such amounts and of such types as may be requested by Lender, and in any event, as are ordinarily carried by similar businesses; and, in the case of all policies insuring property in which Lender shall have a security interest of any kind whatsoever, all such insurance policies shall provide that the proceeds thereof shall be payable to Debtor and Lender, as their respective interests may appear. All such policies or certificates thereof, including all endorsements thereof and those required hereunder, shall be deposited with Lender; and such policies shall contain provisions that no such insurance may be canceled or decreased without ten (10) days prior written notice to Lender; and in the event of the acquisition of additional insurable Collateral, Debtor shall cause such insurance coverage to be increased or amended in such manner and to such extent as prudent business judgment would dictate. If Debtor shall at any time or times hereafter fail to obtain and/or maintain any of the policies of insurance required herein, or fail to pay any premium in whole or in part relating to any such policies, Lender may, but shall not be obligated to, obtain and/or cause to be maintained any insurance coverage with respect to the Collateral, including, at Lender's option, the coverage provided by all or any of the policies of Debtor and pay all or any part of the premium therefore, without waiving any event of default by Debtor, and any sum so disbursed by Lender shall be additional obligations of Debtor to Lender payable on demand. Lender shall have the right to settle and compromise any and all claims under any of the policies required to be maintained by Debtor hereunder and Debtor hereby appoints Lender as its attorney-in-fact with power to demand, receive and receipt for all monies payable thereunder, to execute in the name of Debtor or Lender or both any proof of loss, notice, draft or other instruments in connection with such policies or any loss thereunder and generally to do and perform any and all acts as Debtor, but for this appointment, might or could perform.

10. Debtor shall permit Lender, through its authorized attorneys, accountants and representatives to inspect and examine the Collateral and the books, accounts, records, ledgers and assets of every kind and description of Debtor with respect thereto at all reasonable times.

11. Debtor shall promptly notify lender of any condition or event which might constitute, or would constitute with the passage of time or giving of notice or both, an Event of Default under this Agreement, and promptly inform Lender of any events or change in the condition of Debtor occurring since the date of the last financial statement of Debtor delivered to Lender, which individually or cumulatively when viewed in light of prior financial statements, may result in a material adverse change in the financial condition of the Debtor.

12. If Debtor is a corporation, the Debtor shall maintain in good standing its corporate existence in its jurisdiction of incorporation and its status as a foreign corporation qualifying to do business in those jurisdictions where Debtor is required to be qualified.

13. If Debtor shall now or hereafter maintain an employee benefit plan covered by section 4021 (a) of the Employee Retirement Income Security Act of 1974 ("ERISA") relating to plan termination insurance and, if debtor decides to terminate such plan, it shall promptly: (a) notify Lender of filing notice with the Pension Benefit Guaranty Corporations ("PBGC") pursuant to section 4041 of ERISA that the plan is to be terminated; and (b) notify Lender of the institution of proceedings by the PBGC under section 4042 of ERISA.

14. Debtor shall pay or deposit promptly when due, all sales, use, exercise, personal property, income, withholding, corporate, franchise and other taxes, assessments and governmental charges upon or relating to ownership of or use of any of the Collateral and submit to Lender evidence satisfactory to Lender that such payments and/or deposits have been made.

15. At any time and from time to time upon request of Lender, Debtor shall execute and deliver to Lender, in form and substance satisfactory to Lender, such documents as Lender shall deem necessary or desirable to perfect or maintain perfected the security interest of Lender in the Collateral or which may be necessary to comply with the provisions of the laws of the Commonwealth of Pennsylvania or the law of any other jurisdiction in which Debtor may then be conducting business or in which any of the Collateral may be located.

16. Debtor shall furnish Lender, promptly and in a form satisfactory to Lender, such other information, including any information concerning Debtor's financial condition, as Lender may reasonably request from time to time.

EVENTS OF DEFAULT AND ACCELERATION

1. The occurrence of any one or more of the following events shall constitute an Event of Default hereunder:

- (a) The Debtor's failure to pay any principal, interest or other charges with respect to any of the Obligations as and when due;
- (b) The Debtor's failure to strictly observe or perform any covenant or agreement of any Debtor herein set forth, or set forth in any agreement, note, or instrument heretofore, now or hereafter executed by any Debtor in favor of Lender;
- (c) If any representation, warranty, certificate, schedule or other information made or furnished by any Debtor to Lender herein or pursuant hereto is or shall be untrue or materially misleading;
- (d) Any loss, theft, damage or destruction of any material portion of the Collateral for which there is either no insurance coverage or for which in the opinion of Lender there is insufficient insurance coverage; or the making of any levy, seizure or attachment upon the Collateral;

1. (Debtor's tradenames, prior names, predecessors in merger, businesses acquired and/or other locations.)

2. (Debtor's other security interest, encumbrances and liens.)

3. (Address of other place of business of Debtor and of the location of Equipment other than at Debtor's address and owner description of all leased premises.)

SPECIAL PROVISIONS APPLICABLE TO DEBTOR (IF ANY)

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed this Agreement on this 25th day of February 19 86.

ATTEST:

Barbara Sokolowsky
Barbara Sokolowsky, Secretary
30 LINCOLN ST
PITTSBURGH PA 15240
655-8040

DEBTOR: (If Corporation)

POCONO NORTHEAST RAILWAY, INC.

Business Name

BY: G. David Crane, President (SEAL)

BY: _____ (SEAL)

WITNESS:

DEBTOR:

(Fictitious Name, Partnership, Individual, etc.)

Business Name

BY: _____ (SEAL)

BY: _____ (SEAL)

ATTEST:

Patricia O'Brien, Assistant Secretary
Patricia O'Brien, Assistant Secretary

LENDER:

UNITED PENN BANK

BY: C. F. Hickox
Charles F. Hickox Title Senior Vice President

Schedule "A"

Serial No's.

Pocono Northeast

Pittsburgh & Lake Erie

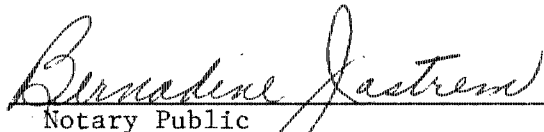
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Conrail
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STATE OF PENNSYLVANIA)
) ss.:
COUNTY OF LUZERNE)

On this 25th day of February, 1986, before me personally appeared G. David Crane, to me personally known, who, being by me duly sworn, says that he is the President of Pocono Northeast Railway, Inc., that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.


Notary Public

My Commission Expires:

5/30/89

BERNADINE JASTREM, Notary Public
Plains Township, Luzerne County, Pa.
My Commission Expires May 30, 1989